

MIAL/ VPR/2015-16/41

22nd December, 2015

OSD-II,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi – 110 003

Madam,

Sub: Comments / Submissions received on Consultation Paper No. 09/ 2015-16 dated 04.11.2015 in the matter of Determination of Development Fee in respect of the Metro Connectivity Project for Chhatrapati Shivaji International Airport, Mumbai - Reg

Ref: AERA letter no. AERA/20010/MIAL-DF/2009-10/Vol-VI/8660 dated 8th December, 2015

With reference of above, as desired, we here below give our views on the comments received from various stakeholders:

1. Ministry of Civil Aviation (MoCA):

Comment made by ER Division of MoCA states that MIAL's submission that 80% of the embarked passengers are given as paying DF is factually wrong and misleading is a factually incorrect statement. In this respect we have communicated to MoCA about its misconception vide our letter no. MIAL/CEO/137 dated 21st December, 2015 (copy enclosed as **Annexure 1**).

Comment of MoCA about CAGR being a wrong basis of forecasting is without any substance. Past CAGR in normal circumstances can be safely considered for forecasting passengers. Without suggesting an alternative method comment made by MoCA are hollow and unrealistic. MIAL is of firm belief that CAGR is a robust method other than exceptions, like in case of international traffic, growth projections at CSIA have to take into account the changed scenario because of bilaterals and competing airports.

2. Airports Authority of India (AAI): Letter of AAI state facts and we have no other comments to offer.



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3. International Air Transport Association (IATA): Our responses on the comments made by IATA are as follows:

a. Incorrect commitment by MIAL and Metro Line 3 is not a dedicated line for airport users

MIAL response

The entire details of decision to contribute towards 2 metro stations have been explained by MIAL during consultation. Metro facility is an essential facility for passengers. It will be predominantly used by passengers for Santacruz and Sahar stations. In the long run it will serve as a faster and cheaper form of transport to airport. Road transport in Mumbai is already choked and will further deteriorate in future. Comment of IATA about wrong commitment made by MIAL is misconceived.

b. Pre-funding is grossly unfair

MIAL response

DF by its very nature is a pre-funding allowed under the statute i.e. section 22-A of the AAI Act for upgradation, expansion or development of airport. Grant of DF has the effect of permanently reducing the Regulatory Asset Base and consequently the target revenue.

c. AERA consultation seems to be fait accompli

MIAL response

Allegation of IATA about effectiveness and ability of the Authority is unfounded. Authority is an independent body which is going through entire process of consultation and determination of DF. MIAL has also gone into Stakeholder consultation in a transparent manner. Letter from MoCA at the best lays emphasis on importance of bringing metro facility and funding of DF as a last resort under the given circumstances.

d. Escalation in cost

MIAL response

IATA comment about escalation is already taken care of as MIAL has to contribute Rs. 518 crs. irrespective of any increase in the project cost.

e. DF collection in excess of Rs. 518 crs.

MIAL response

In case there is a need of securitization of DF receivables then only cost of securitization has to be funded through DF. However, MIAL has already requested the Authority that DF collection and schedule of payment to MMRC should coincide, suggesting a scheme with two set of DF rates for two periods, in which case amount of DF shall be Rs.518 crs. only.

f. Revenue generated from commercial rights of Metro stations:

MIAL response

MIAL has already agreed that any non aeronautical revenue generated from commercial rights of 2 metro stations accruing to MIAL may be utilized to subsidise aeronautical charges.

g. Ratio of DF between Domestic and International passengers

MIAL response

Comment of IATA about ratio is misconceived as there is no discrimination inter-se in case of domestic operations as well as international operations ie. no airline gets special rates. Difference in amount of DF from domestic passengers and international passengers is not against any User Charge guidelines.

h. Comment of IATA in the stakeholder consultation meeting, comparing DF to case on toll charge on unfinished roads is different and any attempt to compare the toll road with DF for metro stations is misleading. In the matter of toll roads while failing to complete and maintain the roads, , the entity was wrongly collecting toll. DF is funding for a project which is going to come. The matter of levy of DF has already passed scrutiny of Hon'ble Supreme Court and same was held to be permissible.

4. Federation of Indian Airlines (FIA): Point raised by FIA has already been dealt in our response above. For sake of brevity we are not repeating the same.

5. Mumbai Metro Rail Corporation Ltd. (MMRC): We fully support the comments of MMRC for reconsidering the proposed rate of DF, thereby avoiding shortfalls/ adverse affect on the completion of project and Review by AAI as a prior condition for release of funds to MMRC.



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6. **Sanjeev V Dayamannavar and Dr. Saurabh Dani:** The response to comments made by Mr. Sanjeev V Dayamannavar and Dr. Saurabh Dani have been dealt in the earlier responses and the submissions made by MIAL and are not being repeated for the sake of brevity.

Thanking you,
For Mumbai International Airport Private Limited

Sanjiv Bhargava
Vice President - Regulatory

Enclosed: as above



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Annexure 1



MIAL/CEO/137

21st December, 2015

Joint Secretary
Ministry of Civil Aviation,
Rajeev Gandhi Bhavan,
Safdarjung Airport,
New Delhi - 110 003

Madam,

Kind Attention : Dr. Renu Singh Parmar

Subject: Comments by ER Division on Consultation paper on determination of Development Fee for MIAL- regarding

Ref: Dy. no. 111514 dated 30/11/2015 issued by Deputy Director, ER Division, MoCA

We would like to draw your attention to the comments by ER Division of MoCA on Consultation Paper no. 09/2015-15 dated 04.11.2015 in the matter of Determination of Development Fee in respect of the Metro Connectivity Project for Chhatrapati Shivaji International Airport, Mumbai to the Airports Economic Regulatory Authority of India (AERA). ER Division has stated that MIAL submission that 80% of the embarked passengers are given as paying DF is factually wrong and misleading. However, as per data available with MIAL the submission by MIAL is correct.

The billing for DF is done by MIAL on the basis of communication received directly from the respective airlines. The communication from airlines for billing of DF regarding embarking passengers excludes the passengers which are exempted in terms of AIC no. 6/2012 dated 31st August, 2012 (AIC).

From the contents of the MoCA letter, it appears that it has considered data in respect of international embarked passengers for FY 2014-15 from the city-pair data in ICAO Form-B submitted by all scheduled airlines to DGCA. It has been wrongly presumed that non-exempted embarking passenger for the purpose of levy and collection of DF are same as revenue passengers as per Form B, which is not the case. Hence, any presumption that they are same is factually wrong and any reliance on Form B to determine passengers paying DF is misconceived.

Passengers who are not Revenue Passengers as per Form B are those passengers who are travelling free e.g. employees of air carriers or their agents, infants who do not occupy a seat and any other passenger travelling free. As compared to this list under Form B, the list of exempted passengers as per AIC is much wider. Copy of AIC is enclosed for ready reference.

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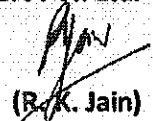
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It is our humble submission that officials of MoCA should not make such unfounded comments in the stakeholders consultation meeting and also while responding to consultation paper. In view of the above, we request the MoCA to correct the statement that only 3% of passengers are exempted as per AIC and accordingly rectify the response to AERA.

Yours sincerely,
For Mumbai International Airport Pvt. Ltd.



(R. K. Jain)
Chief Executive Officer

Cc: Chairman, AERA



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